



OFFICE OF GOVERNOR MARK DAYTON

www.mn.gov/governor | January 2013

Unemployment Insurance Tax Reduction

Reducing Unemployment Taxes for Employers

Governor Dayton's budget reduces Unemployment Insurance (UI) taxes by \$346.5 million over two years, giving Minnesota employers more money to invest in their businesses and our economy. The Governor's proposal reduces the base tax rate to 0.1 percent of taxable wages for all for-profit employers. It also eliminates the 14 percent additional assessment currently levied on taxes due for FY 2014-2015.

What This Means for Employers

Minnesota employers will see a \$346.5 million Unemployment Insurance Tax cut next biennium, providing them additional funds they can then use to expand or improve their business, hire new workers, and grow our state's economy.

- » For 2013, all Minnesota employers (excluding non-profit and government employers) will pay unemployment taxes on the first \$29,000 of wages paid annually per employee.
- » Employers will pay a UI base tax rate of 0.1 percent and no additional assessment in 2014 if the Trust Fund balance is above \$800 million on Sep. 30, 2013. These rates will apply for 2015 if the trust fund balance is above \$900 million on Sep. 30, 2014.
- » Savings realized by each employer will depend on how many workers they employ, their experience rating, and various other factors.

Trust Fund Solvency Recommendations

Minnesota's UI Tax rates are determined by the balance in the Trust Fund. The Trust Fund has recovered from the economic downturn and is projected to have sufficient reserves to meet future needs.

- » **The Governor's Proposal is Responsible.** Taking into account the tax cut, UI Trust Fund levels in Minnesota are projected to exceed \$1.2 billion in 2014 and 2015 – well within the solvency levels recommended by the federal government.

How UI Taxes Work

An employer's UI tax bill consists of three components: 1) the employer's experience rating, which varies between 0% to a maximum of 8.9% in wages paid per worker; 2) the base tax rate assigned to all employers; and 3) the additional assessment assigned to all employers.

The base tax rate is set each year, based on the amount of money in the UI Trust Fund. There is an additional assessment on an employer's total UI tax bill of between 0% and 14%, which is also based on the amount of money in the UI Trust Fund.